



# Education and Local Government Interim Committee

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## 58th Montana Legislature

### SENATE MEMBERS

DON RYAN—Vice Chair  
GREGORY BARKUS  
WILLIAM GLASER  
RICK LAIBLE  
JEFF MANGAN  
DEBBIE SHEA

### HOUSE MEMBERS

JOAN ANDERSEN—Chair  
NORMAN BALLANTYNE  
SUE DICKENSON  
TOM FACEY  
VERDELL JACKSON  
LARRY LEHMAN

### COMMITTEE STAFF

CONNIE ERICKSON, Research Analyst  
EDDY MCCLURE, Staff Attorney  
REBECCA SATTler, Secretary  
PAMELA JOEHLER, Fiscal Analyst

## MINUTES

October 30, 2003

Rm. 137, State Capitol

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division.

**Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

### COMMITTEE MEMBERS PRESENT

REP. JOAN ANDERSEN, Chair  
SEN. DON RYAN, Vice Chair

SEN. GREGORY BARKUS  
SEN. WILLIAM GLASER  
SEN. RICK LAIBLE  
SEN. JEFF MANGAN  
SEN. DEBBIE SHEA

REP. NORMAN BALLANTYNE  
REP. SUE DICKENSON  
REP. TOM FACEY  
REP. VERDELL JACKSON  
REP. LARRY LEHMAN

### STAFF PRESENT

CONNIE ERICKSON, Research Analyst  
EDDY MCCLURE, Staff Attorney  
REBECCA SATTler, Secretary

### AGENDA & VISITORS

Agenda, ATTACHMENT #1  
Visitors' list, ATTACHMENT #2

## **CALL TO ORDER AND ROLL CALL**

The meeting was called to order by CHAIRMAN ANDERSEN at 1:00 p.m and attendance was noted (ATTACHMENT #3). The minutes of the August 21 meeting were not sent out for the Committee members' review, so they were not adopted at this time.

## **KEY POSTSECONDARY EDUCATION ISSUES FOR THE INTERIM**

**Edwin Jasmin, Chair, Montana Board of Regents (MBOR)**, distributed EXHIBIT 1 regarding the policy goals and accountability measures of the Joint PEPB Subcommittee and the BOR. EXHIBIT 2 is a packet of graphs explaining various parts of the higher education budget, and EXHIBIT 3 is a draft summary of the priorities identified at the annual BOR retreat. EXHIBIT 4 is a document and chart illustrating the long-range trends and impacts for FY04-FY05. Mr. Jasmin briefly went over the policy goals in Exhibit 1.

**Sheila Stearns, Commissioner of Higher Education**, said that the University System is committed and needs to be more proactive to make the best use of Montana resources. She then gave an update on the approved budgets by the BOR, referring to the pie charts in Exhibit 2. She offered the following definitions regarding the budget:

- Restricted money doesn't come from the taxpayers, but from financial aid.
- Designated money comes from parking tickets, etc.
- Auxiliary Enterprises include the bookstore, parking, and residence halls, etc.
- Plant Funds are from the Legislature for building and deferred maintenance.

Ms. Stearns added that the budget is not solid, and anticipates some federal grants that may not come through. She referred to the second pie chart in Exhibit 2, stating that MUS agencies include the extension agency, etc. The third pie chart shows the budget for the educational units only, and the fourth pie chart is the general operating funds budget. She added that Montana has the ability to attract out-of-state students, who are paying 138% of the cost of education. The fifth chart illustrates enrollment history. Ms. Stearns stated that they expect enrollment to flatten out, with increasing resident numbers. She briefly went over Exhibit 3 and the priorities for the Board of Regents.

Mr. Jasmin stated that one of the areas of frustration is the budgeting process for the Regents as well as the University campuses. He explained that Mark Semmens is the chairman for the committee to refine that process and work in conjunction with the Governor's Office. A data warehouse has been collected through the computer system, and now the challenge is to use the management reports to identify trends and needs as well as to educate others outside of the campuses regarding the budgeting process. He stated that the goal is to find ways to communicate better about the University System. Mr. Jasmin went through Exhibit 4 showing long-range trends and assumptions to explain revenue and expenditures as well as outcomes and potential actions. He said that the projected net revenues are as follows:

- FY06 - \$1.2 million shortfall
- FY07 - \$1.25 million shortfall
- FY08 - \$1.4 million shortfall
- FY09 - \$1.45 million shortfall

Ms. Stearns referred to the back page of Exhibit 4, the section entitled, "Potential Action Items

to Mitigate Deficits.” She explained that none of it is concrete, but some assumptions could come true. She stated that a particular worry is the unfunded retirement liability, as the “baby boomers” enter retirement age. Ms. Stearns added that it is an overall problem that needs to be addressed throughout state government. She explained that the BOR is looking into various options, including the question of whether to put a cap on resident enrollments at Bozeman and Missoula without closing access to students, but have not decided on any particular course of action yet.

Mr. Jasmin said that he has been on the BOR for 6 ½ years now and he believes that the University System in Montana is wonderful and operates very efficiently. He added that he supports the Constitutional separation of the BOR and the Governor’s Office.

### **Questions from Committee Members**

REP. DICKENSON referred to policy goal #2 listed in Exhibit 1 to promote access and affordability. She wondered if Montana students are being limited by tuition increases. Ms. Stearns agreed that the BOR can see that they are pushing the limits comparable to disposable income. She said that they are increasing scholarship efforts, need-based funding, and promoting the “College Is Possible” program, but that increasing tuition is a big worry. REP. DICKENSON asked about any federal involvement with college aid programs. Ms. Stearns explained that there are federal bills being proposed that would freeze Pell grants or penalize campuses raising tuition beyond the Consumer Price Index.

SEN. LAIBLE wondered what calculation was used to project gross revenue in Exhibit 4. Ms. Stearns stated that she does not know the exact formula, but that the numbers are projections based on trends. SEN. LAIBLE asked if it is based on a percentage or gross money. Ms. Stearns answered that it is based on percentages. REP. LEHMAN asked for the amount on unfunded retirement liability, but Ms. Stearns answered that she did not bring those projections with her. She assured him that she could get those exact projections for his reference. CHAIRMAN ANDERSEN asked if future unfunded liability is dependent on returns on investments. Ms. Stearns informed her that an optionable retirement program was instituted in 1990 that made it so stocks and bonds have no affect on what the State owes in retirement.

SEN. BARKUS asked if the student population is growing faster than the state population. Ms. Stearns replied that the state had a “baby boomlet” in the 1990’s, but is significantly dropping off in high school graduation rates. She added that Nevada, Utah, California, and Washington are ripe for recruiting to Montana schools. SEN. BARKUS inquired why non-resident enrollment has been basically flat over the last 10 years. Ms. Stearns responded that it jumped in the early 1900’s, but the recent economic bust encourages many to stay in their home state for continued education. SEN. RYAN wondered if there is a model to predict attraction to out-of-state students. Ms. Stearns said that they are working on creating models and testing them against other states, but they are not perfect. She informed him that they have purchased a national management software program named Crystal Ball to assist in the project. Mr. Jasmin added that they are focusing on marketing and are going into the northeastern states to attract similar students in upper income families, who would be interested in going to school in Montana. Ms. Stearns said that an item in the upcoming Regents meeting called “Destination Education” is aimed at marketing efforts partnerships.

SEN. RYAN referred to Exhibit 4 and the revenue assumptions regarding state funding being

constant. He pointed out that the amount of money has been constant, but not as a percentage of the cost of education; Ms. Stearns agreed. REP. FACEY inquired if the State is self-insured at the university level. Ms. Stearns affirmed that they are self-insured, but have a contract with Blue Cross/Blue Shield to manage the program. REP. FACEY observed that the \$1.2 million deficit is less than ½ of 1% of the University of Montana's budget, but Mr. Jasmin clarified that it is only for the one campus. REP. FACEY added that he supports capping enrollments at the flagship schools.

SEN. SHEA wondered what percentage of non-resident students pay full tuition. Ms. Stearns replied that there are some Western Undergraduate Exchange (WUE) students who pay resident tuition, but the majority do pay full non-resident tuition. She clarified that even if students are on scholarship, the full tuition amount still comes into the University. SEN. SHEA asked if the BOR is marketing Montana's universities for their academics, or only recreation in the state. Ms. Stearns answered that they are marketing both.

SEN. GLASER referred to the Montana Constitution, stating that a quality education is guaranteed to every person, not every qualified student. Ms. Stearns replied that the BOR has had a similar admissions process for many years and it has never been considered unconstitutional. She added that the University System offers online and technical schools for those students who are not able to attend one of the campuses. They are looking to grow the two-year education programs to be able to offer the re-education that our struggling economy requires. SEN. GLASER wondered if the two-year facilities are doing a better job of educating than the four-year facilities. Ms. Stearns explained that they are both doing a good job, but that they are attempting to encourage more participation in a two-year facility first, and then finishing at a four-year facility. SEN. GLASER stated that he thinks enrollment will grow instead of dropping off in the future. Ms. Stearns said that the Crystal Ball program feeds numbers in according to birth rate and other trends, and that the data model generated is not what they want to have happen.

SEN. LAIBLE requested a graph illustrating general fund contribution to the University System, and the amount of total revenue in proportion to the general fund amounts. Ms. Stearns agreed to provide that information. CHAIRMAN ANDERSEN inquired if there are any ideas for mitigating cost increases. Ms. Jasmin said that one idea is to use more of the services available on the flagship campuses instead of contracting outside for those services. CHAIRMAN ANDERSEN wondered about the students who obtain college credits for Advanced Placement classes, and if they are making the transition well into college. Ms. Stearns affirmed that it is benefitting the University and students alike. She said that they are working with the high schools to take advantage of time in high school to save money and time when students actually get to college.

### **KEY COUNTY GOVERNMENT ISSUES FOR THE INTERIM**

**Dr. Gordon Morris, Executive Director, Montana Association of Counties (MACo),** stated that MACo has five interim priorities:

- 1) Continue to recognize the need for tax reform in Montana.
- 2) MACo take an active role in economic development.
- 3) Subdivision concerns.
- 4) SB 347 and the concerns that it will eliminate the underpinnings for Montana mental

healthcare systems.

5) Work with the Law and Justice Interim Committee regarding state assumption of District Courts.

Mr. Morris referred to a lawsuit in Missouri in which the counties are fighting against the State over the administration and funding of public defenders. He explained that the outcome could have precedential effects for other states, including Montana.

SEN. RYAN stated that the PP&L tax protest is causing grave problems in the counties and that \$300 million is in protest in Cascade County. He alleged that a State argument is affecting local governments and causing taxes to increase in order to cover the liability. Mr. Morris said that they are working on that issue to try and find a solution. He explained that the money in protest can be accessed, but the local governments run the risk of having to pay back that money that has already been spent. REP. FACEY volunteered to work with MACo on SB 347 regarding the efficient delivery of mental health services. Mr. Morris informed him that a Mental Health Summit is being held tomorrow in Missoula and suggested that Rep. Facey participate.

CHAIRMAN ANDERSEN informed the Committee of two meetings coming up of interest including a Teacher Assistance Corps. meeting with the Office of Public Instruction and a meeting with Undersecretary of Education Eugene Hickock organized by Governor Martz. A forum with Congressman Rehberg was scheduled for November 14-15, but has been postponed until spring. Connie Erickson will send out the meeting information as it becomes available.

#### **REPORTS FROM SUBCOMMITTEES**

- **Local Government** - SEN. MANGAN said that the members of the Subcommittee are REP. ANDERSEN, SEN. GLASER, SEN. LAIBLE, and himself. He stated that the Subcommittee adopted their work plan on HJR 37 regarding the Subdivision and Platting Act. He said that they decided to correct technical problems, determine a statutory basis for the remainder doctrine, define minor subdivision, and adjust time frames for the permitting and subdivision review processes. If time permits, the Subcommittee would also like to address impact fees and any other issues of interest.
- **K-12 Education** - REP. LEHMAN said that the members of his Subcommittee include REP. JACKSON, REP. FACEY, REP. BALLANTYNE, and himself. He said that Tom Bilodeau, MEA-MFT, and Alec Hansen, League of Cities and Towns, presented information regarding statewide health insurance pools for public employees. He stated that currently, there are 4,000 uninsured school district employees. The major concern for the Subcommittee is the topic of statewide health insurance. He added that the Subcommittee will look into federal funding and loss of local control, as well as teacher salaries versus administrative salaries.
- **PEPB** - Connie Erickson explained that the Subcommittee did not meet today, due to the Regents being out of state. She will work with Pam Joehler, the staff member from the Legislative Fiscal Division, to get a date for their meeting.

**PUBLIC COMMENT:** None

## **ADJOURNMENT**

The meeting adjourned at 3:07 p.m. The next meeting is scheduled for Friday, January 9, 2004.

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